

panies and the public, is the true policy. If Senator McInnes wishes to do any good in this way, let him alter his bill so as to provide an inhibition instead of a grant.

The portion of the Trent Valley canal works, now in hand, is to be completed this year. A party of engineers is to be sent out to report on the balance of the work on the route. When the Hon. H. Killaly was chief engineer of the Government, he reported strongly against the whole scheme, and we cannot help thinking that he was in the right. Starting from Lake Ontario, you go a long distance by this route, and then find yourself provokingly near the point where you set out. We fear that what has been done had a political motive, with no result to justify the expenditure. But even now it would be better to abandon the work than go on with it; for if finished it would serve no purpose adequate to the cost.

The aggregate clearings at the Clearing Houses in thirty-six cities of the United States last week reached \$937,127,838, against \$855,781,304 in 1886. The increase, as compared with last year, is 9.5 per cent. The above exhibit, says the *Shipping List*, is unfavourable compared with that of the previous week, but favourable when compared with the corresponding week of last year, nearly every important reporting point showing a gain.

AUTHORITY FOR DISCRIMINATION.

It has become fashionable, in certain quarters, to quote Sir A. T. Galt as an authority in favor of tariff discrimination. But the passage quoted, assuming it to be correctly given, does not bear out this pretension. As usually given, it is in these words: "By the Confederation Act the Imperial Parliament surrenders to us the complete control of our customs, excise, and every other mode and description of taxation. By that act Great Britain voluntarily deprived herself of the power of negotiating for this country with foreign countries. She deprived herself of the right to say to Canada 'You shall' or 'You shall not' impose any particular class of duties. That act has placed us *quoad* commercial questions in the same position as regards the Imperial Government as we stand in toward any foreign Government." What Sir Alexander T. Galt here contends for, assuming that these words were uttered by him, is that the Confederation Act places us, in respect of commercial questions, "in the same position as regards the Imperial Government as we stand in towards any foreign government." That is, we may tax the manufactures of Great Britain the same as we tax those of any foreign nation; he also claims that we are at liberty to impose any particular class of duties. In all this, there is no hint or suggestion of discriminating duties, than which we venture to say nothing could be farther from the mind of Sir A. T. Galt. We can tax British manufactures the same as we tax those of foreign nations; but we cannot discriminate against them by taxing them more than the goods of other coun-

tries; we cannot tax them while we admit the products and manufactures of other nations free. And, in our opinion, Sir A. T. Galt is the last man in the world to allege that we can, or that we ought to do so if we had the power.

IS BORROWED MONEY AN INJURY.

Since we last wrote upon the question of loans on real estate by associated instead of individual capital, another member of the Senate has thought it his duty to raise objections to giving the Western Canada Loan and Savings' Company leave to do business elsewhere in the Dominion than in this province. Senator Trudel considered such permission dangerous; appearing to think it would do harm to allow an owner of land to borrow from a society instead of from an individual. He gave no intelligible reason for his belief; indeed his whole speech led him to some such conclusion as "not guilty, but don't do it again," for he said that while the particular company in question might be allowed the desired permission it would not be safe to make the rule general.

Hon. Senator Miller, in his wisdom, thinks that "the fewer of such societies we have the better." Because some of them do a large business and earn good profits he declares that they "must have fleeced the public of Ontario." Because several earn 8 or 10 per cent. upon their capital, and one 13, they are necessarily "pernicious and dangerous." If any such doctrine were tenable, we should have to lose faith in the largest Canadian bank, of which we are so proud, and to say that because the Bank of Montreal earned and divided twelve per cent. and sometimes more, "its system is pernicious and it fleeces the public."

Sectional jealousy, we are sorry to say, appears to induce the cry set up by these gentlemen. At least it is significant that the opposition to the applications made comes from Quebec and Maritime province senators. One of them declares the proposed act would be "legislation in the interest of persons in the upper provinces who seek to come down and make money out of our people." In his narrowness he forgets that capital judiciously borrowed is like mercy, blessing him that gives as well as him that takes. It is, besides, a mistake to hold up the farmer in particular as the down trodden borrower in such cases. The farmer is not the only possessor of land who borrows from such companies. All classes of landowners require occasional loans to develop their lands, and farmers do not borrow more, but rather less than some other classes of the community, nor are any necessarily losers by such borrowing.

But lest any one should believe such prejudicial statements about Ontario loan companies, lest even Mr. Miller be so simple as to confound rates of interest on loans with rates of dividend, let us explain how a bank or a financial company may earn big dividends and yet lend at low rates. Take as an example, a London company, one of the oldest and most respectable in the list. The capital upon which it has to pay dividend is \$1,100,000 and upon this sum it long

paid ten per cent. and now pays nine, or say \$99,000 per annum. But the amount of its earning power, i.e., the money which it can profitably use consists of \$1,073,000 of deposits for which it pays only 4 per cent., and \$754,000 debentures at 4.9 per cent.; \$417,000 of accumulated rest, in all, including the paid up capital, say \$3,344,000. If this aggregate of three and a third millions be loaned at *six and a half* per cent. it will yield \$207,000, thus earning more than enough to pay interest on deposits and debentures, running expenses and 9 per cent. dividend on capital. For another example a Toronto company may be taken. Its earning power is represented by the following figures:

Paid-up Capital.....	\$1,300,000
Reserve Fund.....	650,000
Deposits.....	1,200,000
Debenture moneys.....	2,500,000
Total.....	\$5,650,000

Say that it lends all this money on mortgage at six per cent., the earnings would then be \$339,000. Only \$130,000 of which is needed to pay ten per cent. dividend on its \$1,300,000 of paid capital, so that there is a large margin for expenses, interest and reserve. And yet the real estate owner does not pay ten per cent. but only six to seven and a half.

It is thus, as our readers see, the proportion of cheap deposit or debenture money to paid capital which, other things being equal, determines the dividend-earning power of a financial institution. The last-named gentleman has some remarks, too, upon temptations to improvident persons to run into debt which ultimately proves ruinous to themselves. But, because "some classes of people are too apt to take loans when they can be got with facility," are we therefore to say that all lenders are "dangerous and pernicious," and that people shall not borrow at all?

UNFAIR FIGURES.

It has puzzled not a few persons, who have occasion to look over the statement of the Canadian banks from month to month, that there is a frequent discrepancy between two of its columns, on the debit and credit side respectively. A correspondent called our attention to this in the March return, where there were several entries among the assets under the head of "Loans to or deposits in other banks, secured," but no corresponding entries among the liabilities in the column "Loans from or deposits made by other banks in Canada, secured." Another of our readers now wants to know "How it is that this discrepancy is permitted to go on. If the lending bank considers itself bound to show up it is most unfair to let the borrowing bank off." On referring to the April Bank Statement, seven banks in three provinces appear to have loaned to other banks an aggregate of \$355,000. And yet no acknowledgement is made of this fact by the debtor banks which ought to have amounts to an equal aggregate in the debit column mentioned.

This is clearly wrong, and the Minister of Finance or his deputy ought to see that it is rectified. The column, presumably, was not put into the return without mean-